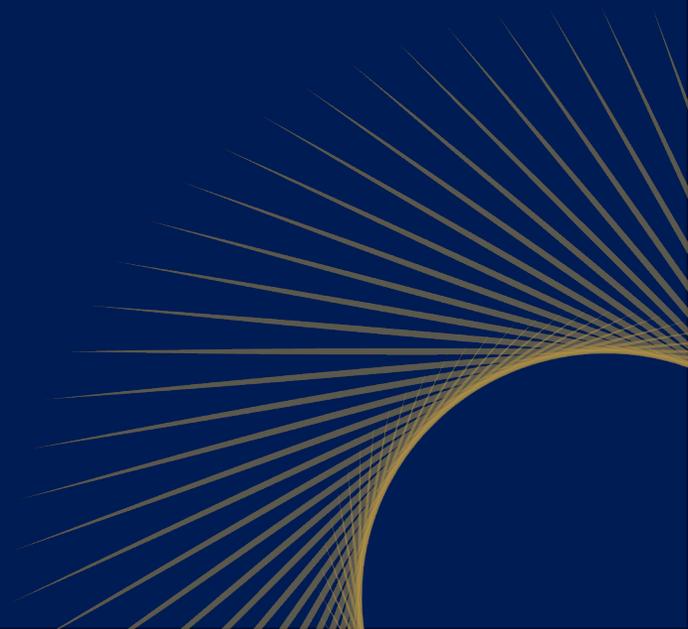




Reforming Victoria's windfall gains tax

Property Council of Australia – Victoria

NOVEMBER 2025



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Note: All dollar figures are Australian dollars unless indicated otherwise.

The 2023 Windfall Gains Tax (WGT) has dampened investor sentiment and deterred investment:



WGT is one of a **series of new or increased property taxes** introduced in Victoria in the last decade



Developer taxes and charges make up 18% of total taxes on Melbourne developments, double those in Sydney



Industry confidence in Victoria has declined sharply since WGT was introduced, falling far behind NSW and Qld

The average WGT liability reduces project **returns by 3ppt**, lowering the project margin to 12%, below the 15% **feasibility threshold**

Removing the WGT could unlock \$1.4 billion in additional annual investment

WGT removal will promote...



\$1.4B in additional annual investment, equivalent to 3,100 new homes



2,700 jobs supported per year



\$370M in additional GVA in Victoria



... annually, by 2030

A suite of reforms will incentivise greater investment in Victoria:

1 Financial relief

- 1.1 Credit contributions of works-in-kind
- 1.2 Replace with a GAIC-style system
- 1.3 Reduce tax rates

2 Predictability

- 2.1 Clarify transitional exemptions
- 2.2 Enact a milestone-based objection framework
- 2.3 Introduce binding pre-assessment liability

3 Policy alignment

- 3.1 Ensure consistency with facilitation programs
- 3.2 Introduce deductions for expenses
- 3.3 Allow for significant project exemptions



1

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Removing the WGT could unlock \$1.4 billion in additional investment in Victoria

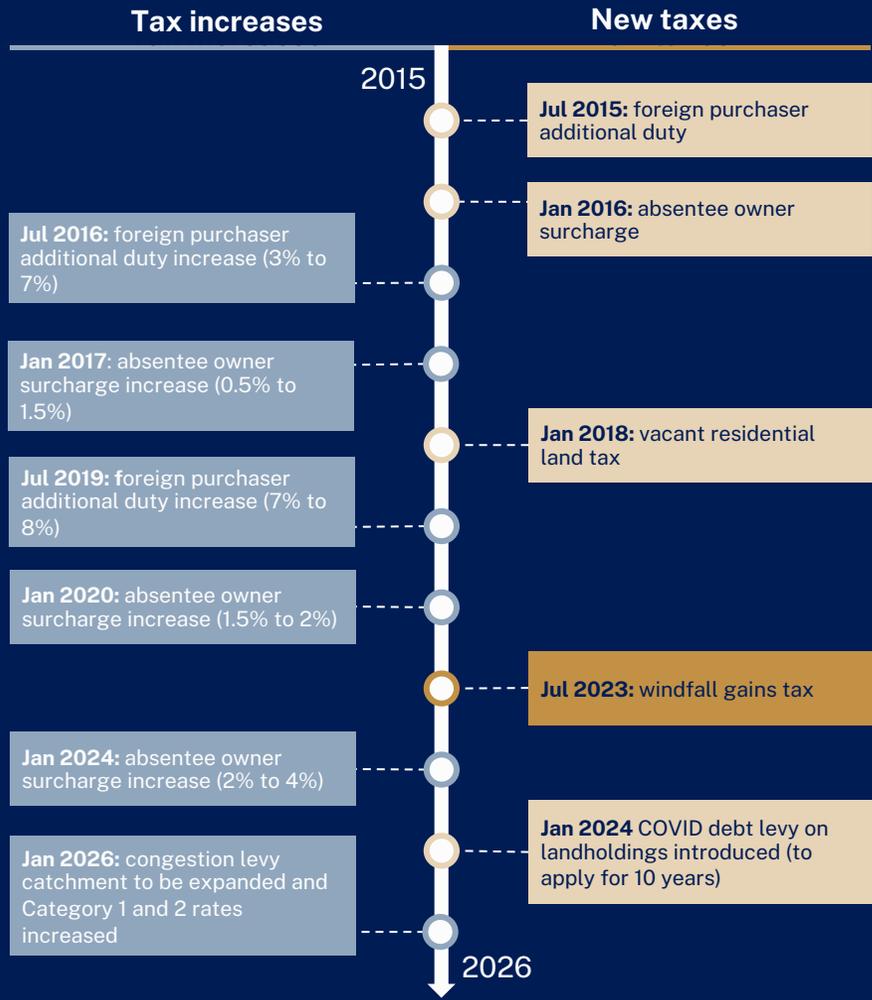
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Targeted reforms could improve predictability and policy alignment under the WGT, whilst balancing revenue generation

4

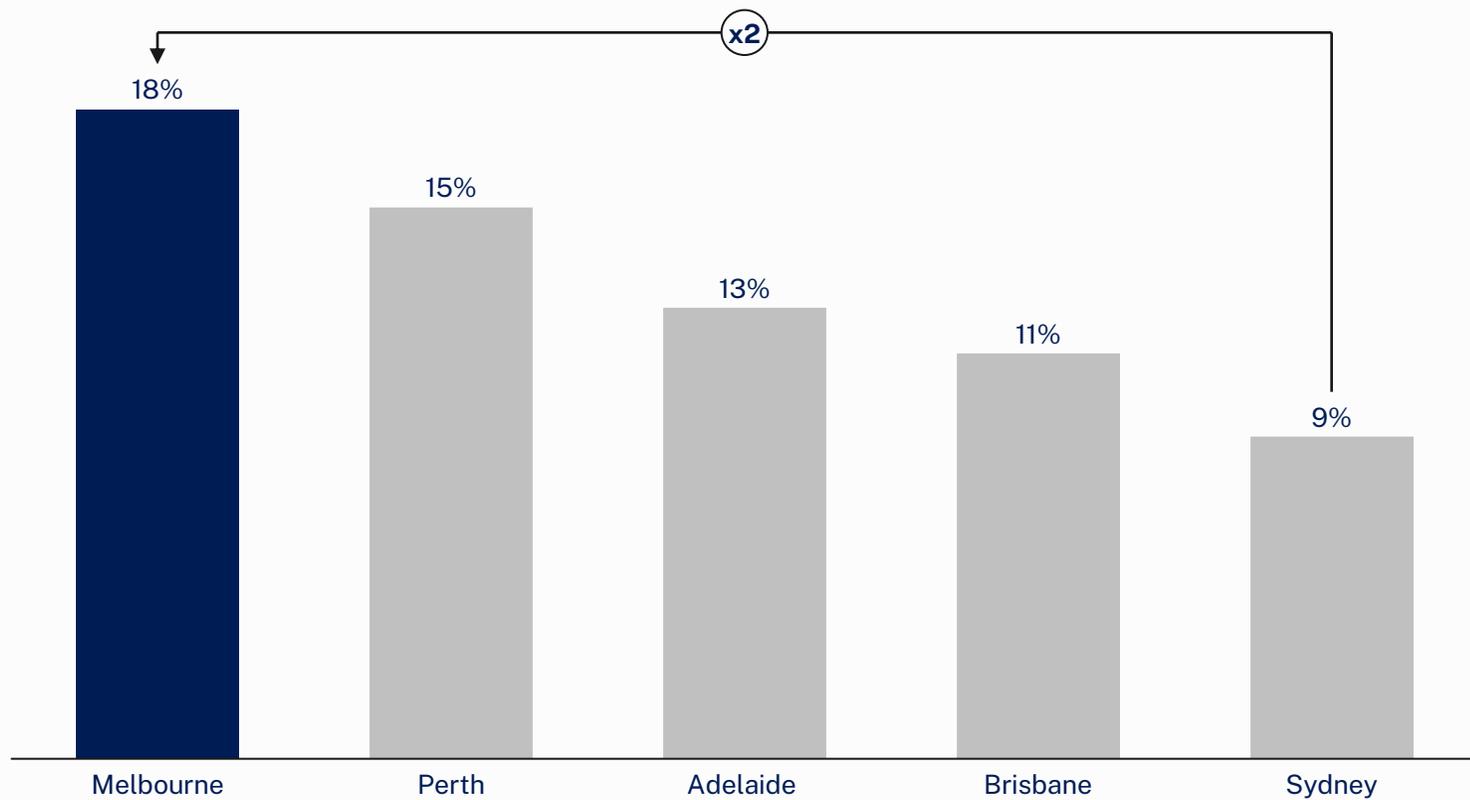
Appendix

The Victorian property sector has faced a series of new and higher taxes, increasing project costs



Burden of developer taxes and charges on residential projects

By major city, as a share of total taxes and charges, 2025



Note: Developer taxes and charges includes local and state infrastructure contributions, plus land tax and stamp duty. For Melbourne, WGT is included. Total taxes and charges includes statutory taxes (GST, income taxes, stamp duties, etc.), regulatory costs (cost increases that are created when government policies restrict the supply of land and housing relative to demand), and infrastructure charges (the price charged for government services or infrastructure), paid by developers and consumers. Mean taxes and charges across mid-rise, high-rise and greenfield housing developments. Data for commercial and industrial projects was not available for this analysis, though such developments are likely to face a higher tax burden due to their larger land requirements. Source: Centre for International Economics (2024); Centre for International Economics (2025); Mandala Analysis

The WGT applies to rezoning uplifts above \$100,000, with a 50% rate on uplifts over \$500,000

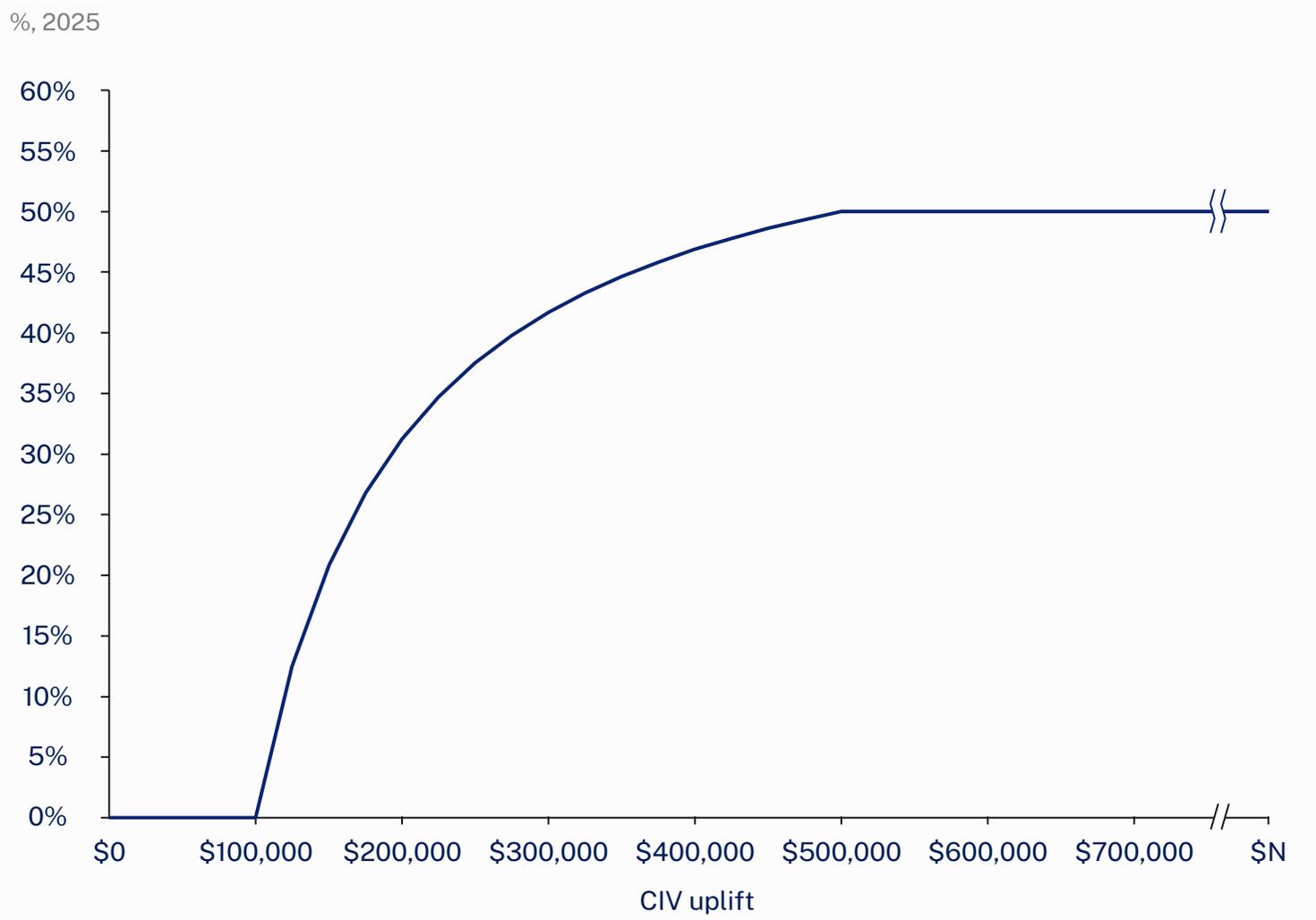
Victoria’s WGT applies to property owners who see value increases above \$100,000 after government rezoning. The tax is designed to capture a portion of windfall gains that accrue to landholders when their property values rise due to government actions. The tax is payable at the time of rezoning, though owners may defer payment until the next dutiable transaction or until 30 years elapse.

If payment is deferred, interest accrues at the 10-year Treasury Corporation of Victoria (TCV) bond rate. For example, if a farmer’s land increases in value by \$500,000 after rezoning, they would face a liability of \$250,000. If they choose to defer payment for 30 years, their total liability could grow to around \$1.1 million.¹ This deferral mechanism potentially discourages development and encourages land banking, as developers are less likely to embark on a project that would require absorbing a tax that reduces returns.

The tax calculation employs a progressive structure with a tax-free threshold of \$100,000. For value uplifts between \$100,000 and \$500,000, the tax rate is 62.5% of the uplift above the threshold. For uplifts exceeding \$500,000, the rate is 50% of the total uplift. There is no cap applied to WGT, so the 50% rate applies ad infinitum. The valuation is based on the Capital Improved Value (CIV), which is the market value of land, plus the value of all buildings, structures, landscaping and other value-adding works.

Notes: Based on the 10-year TCV rate of 4.93% as of Sep-2025. Source: Victoria State Government (2025)

Effective tax rate of the WGT



Notes: Several exemptions apply to the WGT, including Melbourne’s growth areas, residential land with existing dwellings (up to two hectares), charitable land holdings maintained for 15 years post-rezoning, and land rezoned to Rural Zones other than Rural Living Zones. Source: Victoria State Government (2025)

Industry sentiment in Victoria has fallen behind Qld and NSW since the introduction of the WGT

Industry confidence in Victoria has declined sharply in recent years. Confidence has fallen from a peak of 140 points in early 2022 to 90 points a year after the WGT's introduction. Since then, the gap with NSW and Qld has widened, with Victoria now 30 points behind Qld.

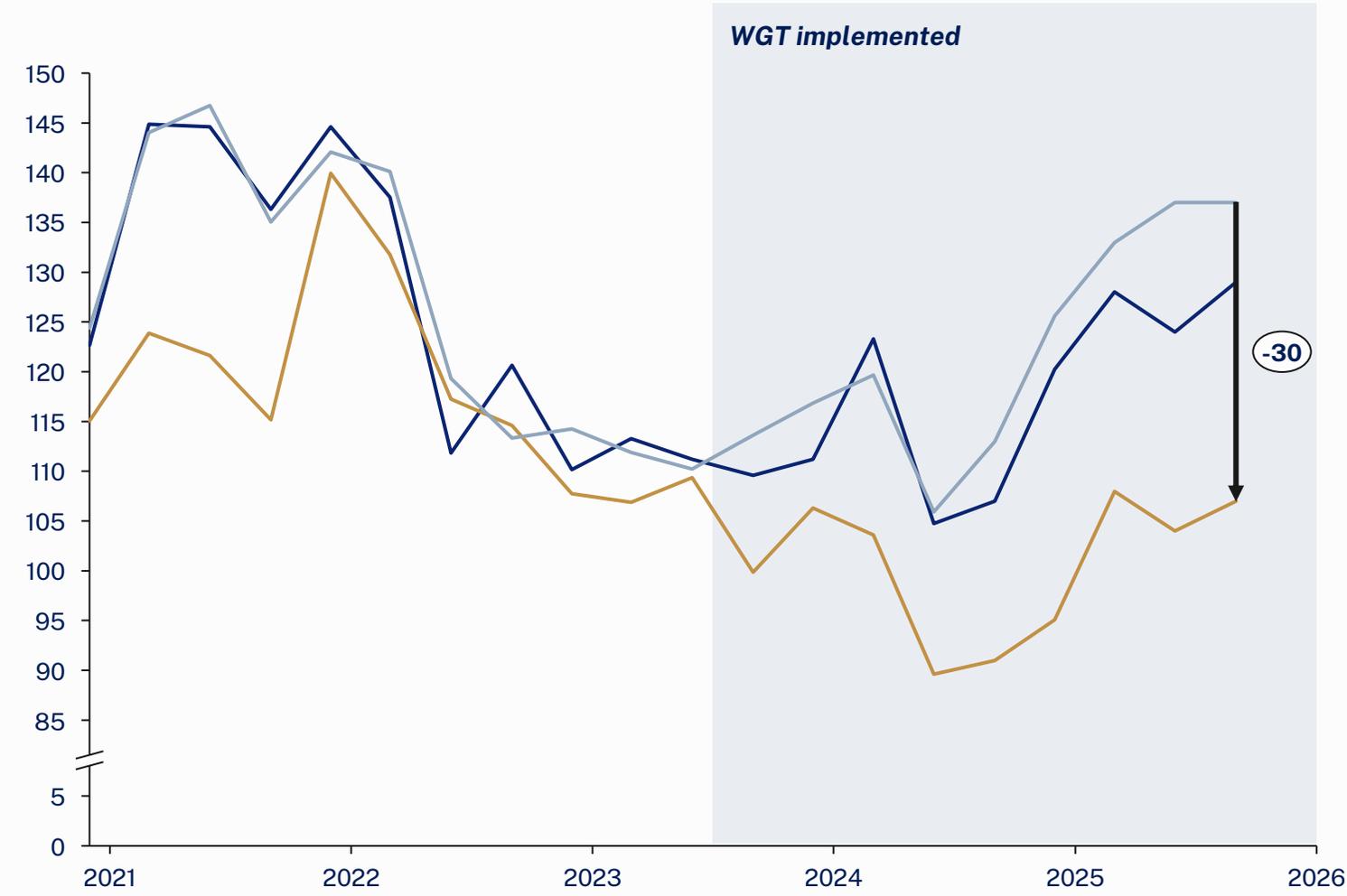
Victoria records the lowest perception of government performance of any jurisdiction. The Victorian Government's net performance index currently sits at -67, 57 points below the historical average. A score of zero is considered neutral. The September 2025 issue of the survey saw almost two thirds (63%) of Victorian participants citing property taxes and charges as the most critical issue for the industry.

Beyond its financial implications, the WGT reduces investor confidence by creating unpredictability for developers. For example, developers cannot obtain reliable WGT estimates before committing to projects, making feasibility assessments highly uncertain.

Source: Property Council of Australia (2025a); Property Council of Australia (2025b)

Industry confidence in the property sector in NSW, Vic and Qld

Property Council of Australia Confidence Index, 12/2020 – 9/2025, 100 = neutral



Source: Property Council Survey (2025)

The financial burden, unpredictability and policy misalignment of the WGT discourages new investment

	Financial burden	Unpredictability	Policy misalignment
Challenges	<ul style="list-style-type: none"> Individual WGT assessments, when combined with other levies, can create million-dollar tax burdens that push projects below the feasibility threshold. Project viability typically requires a 15% internal rate of return.⁴ Developers are unable to absorb the significant additional costs. 	<ul style="list-style-type: none"> The WGT creates uncertainty for unzoned sites, with upfront valuations and long objection processes. The valuation objection process has no clear timelines, leading to lengthy resolution periods.¹ Developers are unable to obtain reliable WGT estimates before committing to projects. 	<ul style="list-style-type: none"> The WGT disincentivises developers from investing in land for future development as rezonings can trigger a WGT liability. This outcome is inconsistent with the objectives of the Victorian Government’s Economic Growth Statement² and Housing Statement³. The WGT also undermines the Development Facilitation Program. This program coordinates approvals across government; however, WGT assessments occur after approvals, creating uncertainty for investors on timing and value.
Outcomes	<ul style="list-style-type: none"> The WGT results in more projects becoming financially unviable, as returns fall below the feasibility threshold. Lower margins make project financing more difficult and costly to obtain, leading to fewer developments across Victoria. 	<ul style="list-style-type: none"> Uncertainty means developers cannot reliably assess project viability. Developers are forced to speculate or withdraw from the project, creating fewer developments in Victoria. 	<ul style="list-style-type: none"> The WGT discourages spending on upzoning applications and is not integrated with the Development Facilitation Program. By consequence, priority projects for the Victorian Government may be stalled.
Stakeholder insights	<p>“ The WGT takes away the incentive to develop. Once the tax is factored in, the numbers simply don’t stack up. ”</p>	<p>“ We can’t do anything without knowing our cost base. The WGT makes it impossible to estimate what we’ll owe until years later, which stops projects before they start. ”</p>	<p>“ We’ve been sitting on our hands because triggering the WGT would leave us with a multimillion-dollar tax bill on a modest return. It’s just not worth proceeding. ”</p>

Note: 1 State Revenue Office Victoria (2025); 2 Victoria State Government (2024); 3 Victoria State Government (2025); 4 Urbanista (2024)
 Source: Stakeholder consultation; Mandala analysis



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Appendix

The WGT reduces project viability, lowering returns on the average project below the 15% feasibility threshold

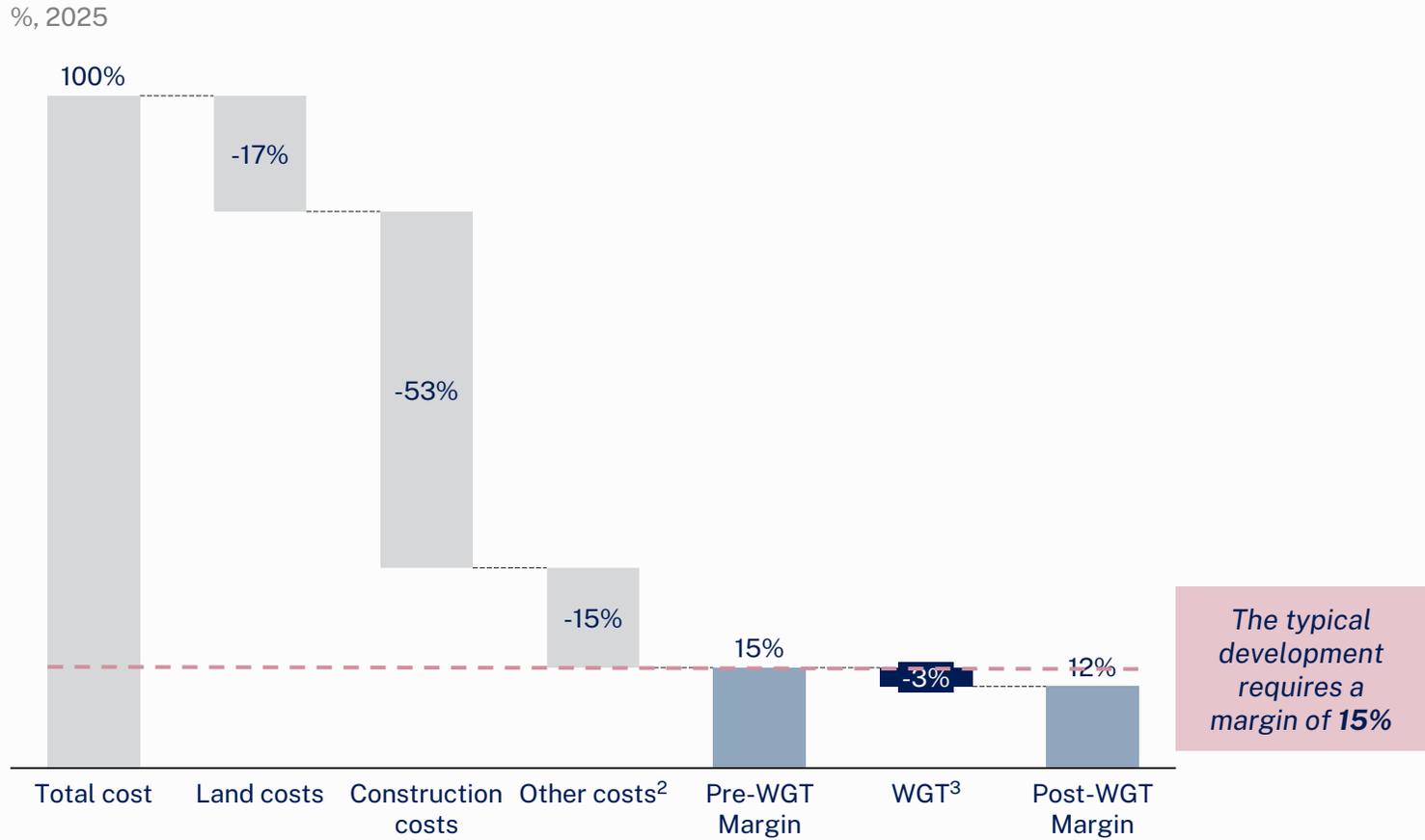
The tax burden of the WGT falls on developers, as buyers can substitute away from projects that incur these costs. As a result, developers incur reduced margins.¹

The average Victorian project sits at the feasibility threshold, with net profit equal to 15% of total development costs. While this benchmark varies by developer and project, it is commonly cited as the level needed to manage risk and sustain future work.² The variation reflects differences in project scale, financing structures, and risk profiles, with more complex or highly leveraged developments typically requiring higher margins. Projects that fall below this threshold can be considered unviable.

The WGT reduces margins, on average, by about 2.8 percentage points, from 15% to 12%. By consequence, some projects may be cancelled, while others may be scaled back or delayed.³ In both cases, overall economic activity is reduced.

Note: 1 Murray (2018); 2 Urbanista (2019); 3 Property Council of Australia (2025); Stakeholder consultation

Cost profile of an average project in Victoria¹



Note: 1 Cost profile is based on the weighted average costs of residential and industrial developments; 2 'Other costs' include: taxes and charges (local and state infrastructure contributions, land tax and stamp duty), financing costs (interest and related charges during development), professional fees (including fees associated with subdivision and development management fees), and sales and marketing costs; 3 Average WGT liability is based on average per sqm uplift across residential and industrial rezonings, and the average development size across residential and commercial. Different uplift and development size metrics (industrial and commercial) were used based on data availability.

Source: Centre for International Economics (2024); Kendall and Tulip (2018a); Kendall and Tulip (2018b); Stakeholder data; Mandala analysis

The benefits of abolishing the WGT in Victoria far outweigh the cost, delivering over \$7 in GVA for every \$1 of net cost

Reforming the WGT unlocks new projects, lifts expected returns and brings capital back to Victoria. By 2030, cutting the top WGT rate to 20 per cent would support \$822 million in additional private investment, while full removal would lift this to \$1.37 billion as more marginal projects become commercially viable.

The stronger project pipeline flows through to the wider economy. By 2030, GVA is \$224 million higher under a 20 per cent WGT and \$374 million higher if the tax is abolished, as construction, professional services and supply chains scale up to deliver the new developments.

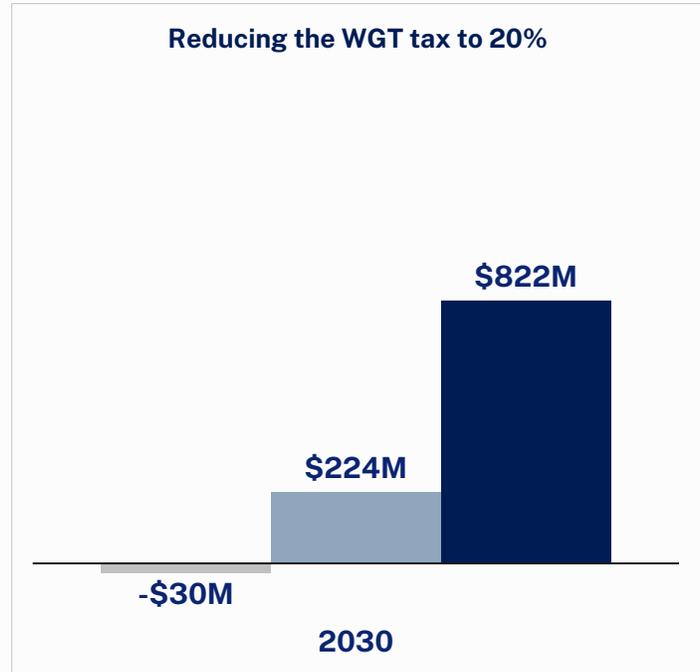
The budget trade-off is small relative to the payoff. Net budget costs are around \$30 million under the 20 per cent option and \$49 million under full removal, implying that each dollar of net cost generates around \$7–8 in additional GVA in 2030, alongside roughly \$27–28 of extra private investment.

Source: Mandala analysis

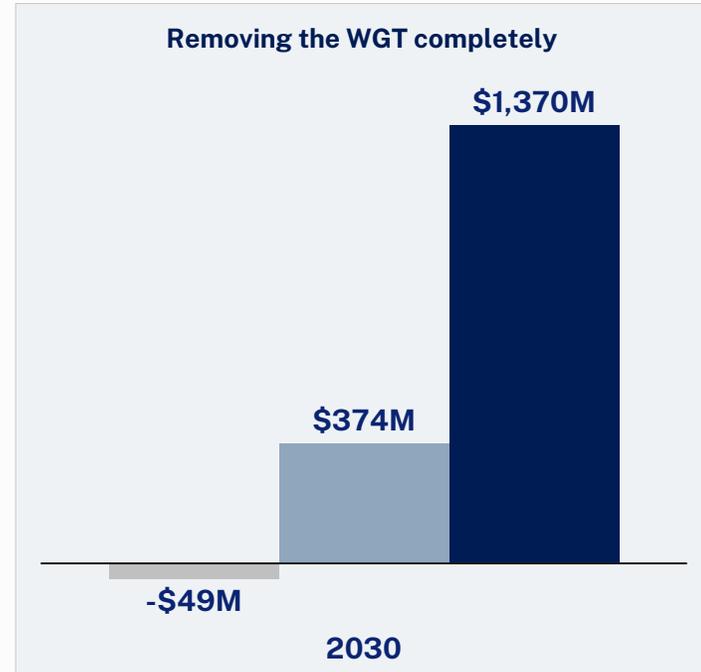
Economic impact of removing WGT taxes in Victoria¹

FY2030 annual impact², \$, millions; gain in GVA and investment into Victoria;

■ Net budget cost³ ■ GVA gain ■ Investment gain



GVA benefit - net cost ratio
7.5



GVA benefit - net cost ratio
7.6

Note: 1 See Appendix for economic impact methodology; 2 Assumes reform enacted in 2026 and economic impact takes four years to take full effect; 3 Net budget cost is the forgone WGT revenue minus the secondary tax receipts from higher investment. Secondary receipts are estimated by applying Victoria's 2023–24 tax-to-GSP ratio (excluding WGT) to the modelled GSP (GVA) uplift. They partially but do not fully offset the gross cost of changing the WGT.
Source: Mandala analysis

The removal of the WGT could unlock \$1.4 billion in additional investment per year by 2030, creating 2,700 jobs and generating \$370 million in gross value-added

Economic impact of removal of WGT by 2030¹

2030 annual impact², by scenario, \$ 2025

	Investment uplift	Employment uplift (persons)	Gross value-added uplift	Secondary tax receipts ³	Net cost to Vic government ⁴
Status quo: Top rate of 50%	\$0M	0	\$0M	\$0M	\$0M
A. Reducing top rate to 40%	\$274M	540	\$75M	\$13M	\$-10M
B. Reducing top rate to 30%	\$548M	1,090	\$149M	\$27M	\$-20M
C. Reducing top rate to 20%	\$822M	1,630	\$224M	\$40M	\$-30M
D. Reducing top rate to 10%	\$1,096M	2,170	\$299M	\$54M	\$-40M
E. Removing the tax	\$1,370M	2,710	\$374M	\$67M	\$-49M

For every \$1 of tax revenues forgone, there will be an additional \$28 in investment and \$8 in gross value added

Note: 1 See Appendix for economic impact methodology; 2 Assumes reform enacted in 2026 and economic impact takes four years to take full effect; 3 Secondary tax receipts may include additional payroll tax, land transfer duty, GST-related and other state taxes from higher investment. They are estimated by applying Victoria's 2023-24 tax-to-GSP ratio (excluding WGT) to the modelled GSP (GVA) uplift, and partially but not fully offset the net budget cost of changing the WGT; 4 Net budget cost is defined as projected annual WGT revenues in 2030, minus secondary tax receipts.

Source: Mandala analysis

In addition to rate reductions, initiatives such as crediting in-kind contributions and schedule-based taxation could incentivise greater investment in the medium term

Near term

Long term

	1	2	3
	Credit contributions of works-in-kind	Replace the WGT with a GAIC-style system	Reduce tax rates
Problem	<ul style="list-style-type: none"> WGT liabilities must be paid in cash, creating significant upfront financing pressure. Developers already fund in-kind works that lift land value, but these are not credited against the WGT liability. 	<ul style="list-style-type: none"> The Growth Areas Infrastructure Contribution (GAIC) provides certainty through predetermined schedules, whereas WGT relies on valuations. By consequence, similar developments across locations are treated differently. 	<ul style="list-style-type: none"> Current WGT rates of 62.5% on uplifts between \$100,000 and \$500,000, and 50% thereafter create prohibitive tax burdens. For example, a \$10M project expects a 15% margin. A WGT liability of \$300,000 is incurred which pushes the margin to 12%, below the feasibility threshold, rendering the project unviable.
Reform	<ul style="list-style-type: none"> The Government should allow for in-kind contributions of land or infrastructure to be credited against a WGT liability. In-kind contributions include works of benefit to the area, such as roads, drainage, or community gardens. 	<ul style="list-style-type: none"> The Government should abolish the WGT and replace it with a GAIC-style system to capture infrastructure contributions from all significant rezonings across Victoria. This reform would simplify the current system, as developers can be currently subject to both the WGT and separate infrastructure charges. 	<ul style="list-style-type: none"> The Government should reduce WGT rates. Lower rates would encourage development activity and support economic growth.
Example	<ul style="list-style-type: none"> Development contributions plans (DCP) and infrastructure contributions plans (ICP) in Victoria allow for works-in-kind rather than monetary contributions. 	<ul style="list-style-type: none"> In July 2024, commercial and industrial properties transitioned from stamp duty to an annual Commercial and Industrial Property Tax (CIPT). 	<ul style="list-style-type: none"> The Victorian government has offered a 50% reduction on the taxable value of land used for BTR since January 2022. The Victorian government lowered payroll tax rates for regional employers in 2017.

Source: Victorian Government (2025); Victorian State Government (2025a); Victorian State Government (2025b); Victorian State Government (2025c); Stakeholder consultation; Mandala analysis



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Milestone-based objection timeframes, binding pre-assessment liability and clearer transitional exemptions will provide greater predictability for developers

Near term

Medium term

	1	2	3
	Clarify transitional exemptions	Enact a milestone-based objection framework	Introduce binding pre-assessment liability
Problem	<ul style="list-style-type: none"> Processes to secure exemptions for projects that were ongoing when the WGT was announced are too rigid. 	<ul style="list-style-type: none"> Current objection processes lack statutory deadlines, typically taking 6+ months while developers face uncertainty. 	<ul style="list-style-type: none"> Developers cannot obtain reliable WGT estimates before committing to projects, creating uncertainty for feasibility assessments.
Reform	<ul style="list-style-type: none"> The Government should allow the State Revenue Office (SRO) commissioner to exercise discretion on transitional exemptions for projects that do not fit the precise criteria. 	<ul style="list-style-type: none"> The Government should establish a 120-day cap for objection resolution from lodgment, with structured milestones. Discretionary extensions for complex cases should be strictly limited. The Government should consider publishing de-identified rulings to provide more clarity on whether an objection is possible. 	<ul style="list-style-type: none"> The Government should create a paid pre-assessment service for rezonings. Developers would be able to purchase a binding liability estimate that is transferrable from vendor to buyer, and deductible against the cost base.
Example	<ul style="list-style-type: none"> Under the Vacant Residential Land Tax system, commissioners can exercise discretion in transitional cases that fall outside strict criteria, allowing exemptions to be granted. 	<ul style="list-style-type: none"> The land tax objection process follows structured phases, giving businesses certainty about when they can appeal decisions. 	<ul style="list-style-type: none"> The ATO provides private binding rulings, which allow taxpayers to seek the ATO's view on the treatment of a transaction without lodging a formal objection, offering greater clarity and certainty.

Deductions for planning expenses, consistency with facilitation programs and significant project exemptions will improve the alignment of the WGT to policy goals

Near term

Medium term

	1	2	3
	Ensure consistency with facilitation programs	Introduce deductions for expenses	Allow for significant project exemptions
Problem	<ul style="list-style-type: none"> Victoria’s development facilitation programs coordinate approvals across government. However, WGT assessments occur after approvals, creating uncertainty for investors on timing and value. 	<ul style="list-style-type: none"> WGT has no allowable deductions, meaning developers pay substantial planning costs to secure upzoning and are taxed on the total value of their upzoning. Hence, developers effectively bear the cost of supporting government decision-making. 	<ul style="list-style-type: none"> Projects that make significant contributions to the Victorian economy may not proceed due to the burden of the WGT.
Reform	<ul style="list-style-type: none"> The Government should integrate WGT into existing facilitation programs by conducting WGT assessments concurrently within facilitation timeframes. 	<ul style="list-style-type: none"> The Government should create deductions for planning-related expenses directly required to obtain upzoning approvals. 	<ul style="list-style-type: none"> The Government should provide exemptions for projects with a significant contribution. Certainty around what qualifies as a “significant contribution” can be provided by clearly defining eligible sectors, time periods, and include local councils and public non-financial corporations.
Example	<ul style="list-style-type: none"> The Development Facilitation Program provides expedited planning pathways and facilitation services for eligible projects. 	<ul style="list-style-type: none"> The ATO allows for business expenses to be deducted from business income for the purposes of company tax. 	<ul style="list-style-type: none"> Victorian Absentee Owner Surcharge allows the Treasurer discretion to grant exemptions for entities making a "significant contribution to the Victorian economy and community."

Overall, a combination of reforms to the WGT could improve predictability for developers, better align the tax with other government initiatives, and incentivise greater investment

Issue	Reform	Cost	Ease of implementation	Impact	Implementation timeframe
Financial burden	Credit contributions of works-in-kind				Near term
	Replace with a GAIC-style system				Medium term
	Reduce tax rates				Long term
Unpredictability	Clarify transitional exemptions				Near term
	Enact a milestone-based objection framework				Medium term
	Introduce binding pre-assessment liability				Medium term
Policy misalignment	Ensure consistency with facilitation programs				Near term
	Introduce deductions for expenses				Medium term
	Allow for significant project exemptions				Medium term

Sources: Stakeholder consultation; Mandala analysis



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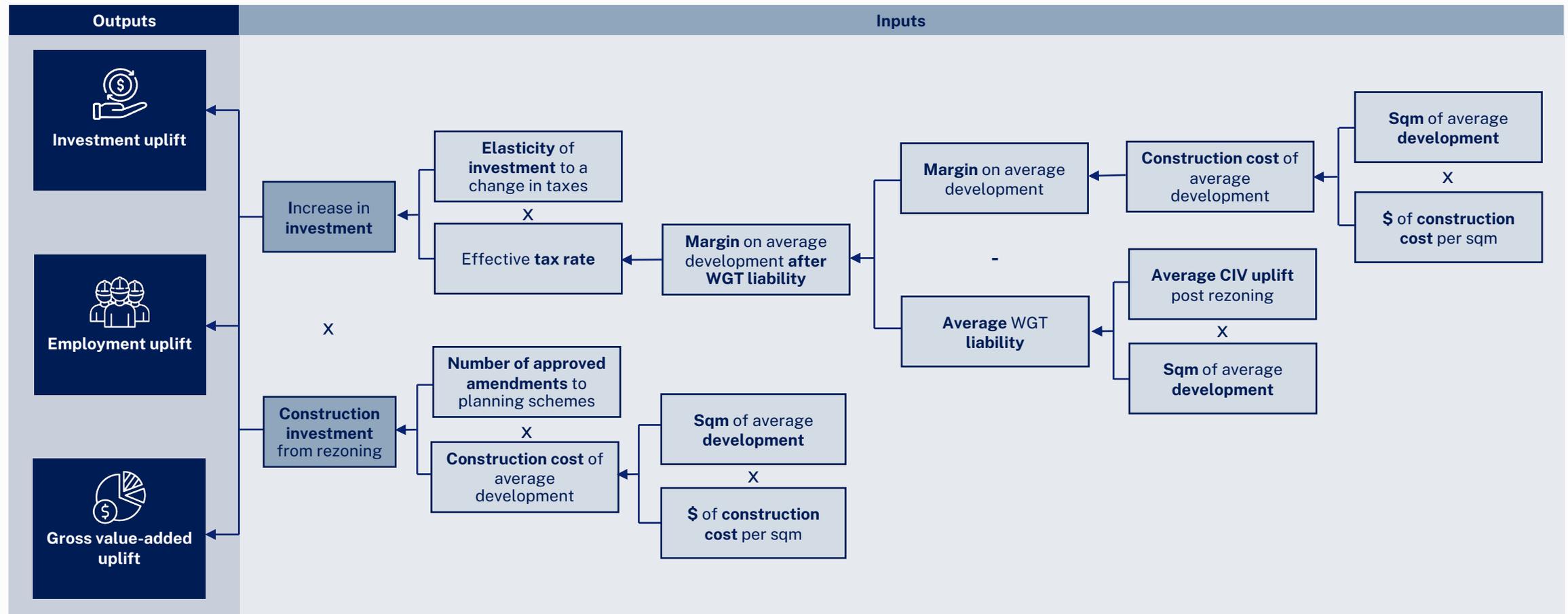
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Appendix

Economic impact modelling uses publicly available data and stakeholder insights to estimate the average WGT burden, and its associated impact on investment



Economic impact modelling source list

Development costs	ABS (2022a), <i>Land and Housing Supply Indicators</i>
	ABS (2022b), <i>New houses being built on smaller blocks</i>
	Centre for International Economics (2024), <i>Cost and feasibility estimates for supplying new residential dwellings in New South Wales</i>
	Koste (2025), <i>Construction Costs</i>
	Napier & Blakeley (2025), <i>Construction Costs Melbourne July 2025</i>
Rider Levett Bucknall (2025), <i>Riders Digest 2025</i>	
Windfall gains tax liability	Kandelaars (2021), <i>Windfall Gains Tax and State Taxation and Other Acts Further Amendment Bill 2021</i>
	Kendall and Tulip (2018a), <i>Appendix A: Examples of Zoning Effects on Land and Property Values</i>
	Kendall and Tulip (2018b), <i>The Effect of Zoning on Housing Prices</i>
	Prosper (2021), <i>The Rezoning 'Honeypot': Evidence from Fishermans Bend</i>
	Rioridan (2025), <i>Members statements: Land tax</i>
Urban Development Institute of Australia (2025), <i>UDIA State of the Land 2025</i>	
Economic impact	ABS (2025a), <i>Building Activity, Australia</i>
	ABS (2025b), <i>Australian Industry</i>
	de Mooij and Ederveen (2001), <i>Taxation and foreign direct investment: a synthesis of empirical research</i>
	Department of Transport and Planning (2025), <i>Browse amendments</i>



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